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BlackRock's expanded proxy voting program gives investors a voice

Article

The news: **BlackRock** is expanding its **Voting Choice** program so more investors in indexed funds can vote their shares, per a press release.

Here's how it works: Clients like pension plans, insurance companies, endowments, and foundations will be able to vote their shares on topics like executive compensation, climate change, and other ESG issues.

Clients will have multiple voting options:

- Clients can control all of their own voting.
- They can choose to vote only on issues that concern them.
- They can select one of seven different voting policies.
- Or they can rely on BlackRock's stewardship team to vote.

The program will extend to include funds in Canada and Ireland and more funds offered in the UK. The expansion means **nearly half ($4.9 trillion) of BlackRock's indexed assets are eligible to participate**.

BlackRock will also begin a test program that gives individual mutual fund investors in the UK greater power in voting their shares. It will consult with lawmakers and regulators in the US on how to do this for US retail investors.

Regulators and lawmakers are watching: They've opened probes and levied fines against asset managers and banks as they offer more ESG products. But without standardized ESG definitions, it's tough to tell what's actually behind these investments.

- **Goldman Sachs** is under investigation by the **Securities and Exchange Commission** (SEC) for offering ESG-labeled products that breached the metrics promised in marketing materials.
- **Deutsche Bank** headquarters were raided earlier this year for exaggerating ESG credentials on some of their funds.
- And in May, the **Advertising Standards Authority** in the UK accused **HSBC** of greenwashing in two advertisements it placed at bus stops.

Asset managers have also come under fire by lawmakers who believe these giants have disproportionate influence over corporations. BlackRock, **Vanguard**, and **State Street** each hold more than a 5% interest in most S&P 500 companies.

So are investors: Global investment managers will be competing for roughly **$9 trillion in fresh ESG AUM between 2022 and 2025**. And total AUM is expected to **exceed $50 trillion**, per 2022 research from Bloomberg Intelligence.

Roughly half of global investors said they would choose investments with positive societal impacts, according to a Capgemini survey. And **one-third of US asset managers** reported that they were at risk of **losing more than 20% of their institutional mandates** due to dissatisfactory ESG products, according to July 2021 research from BCG.

The big takeaway: BlackRock's voting program opens a new door for institutional investors to influence ESG mandates and gives BlackRock its own ESG bona fides.

Voting their shares lets institutions reflect their beliefs with their dollars. Any financial institution sharpening their ESG practices would be wise to follow suit—or at least provide more transparency around what they offer and what their long-term ESG outlook is. Not only will this ease pressures from agencies cracking down on greenwashing, but it will put financial institutions ahead of an investment style that is poised to explode.